

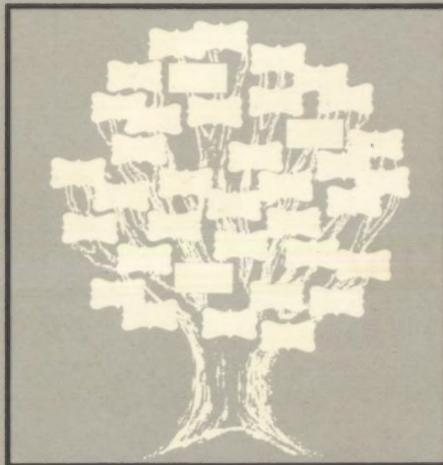


STOP & SHOP, INC.

BUSINESS INC. BUR.
CORPORATION FILE

ANNUAL REPORT

1961



OFFICERS

Sidney R. Rabb
Chairman of the Board and Treasurer
Joseph Rabinovitz.....*President*
Irving W. Rabb
Vice-President and General Manager
Norman S. Rabb.....*Senior Vice-President*
Lloyd D. Tarlin.....*Financial Vice-President*
Donald A. Gannon....*Executive Vice-President*
Robert H. Kroeger.....*Vice-President*
Michael F. O'Connell.....*Vice-President*
Jacob Rabinovitz.....*Vice-President*
Richard F. Spears.....*Vice-President*
Ralph D. Tedeschi.....*Vice-President*
Max E. Bernkopf.....*Clerk*
Arthur L. Sherin.....*Assistant Clerk*
George P. Kane.....*Assistant Treasurer*

DIRECTORS

William Applebaum	Sidney R. Rabb
Max E. Bernkopf	Jacob Rabinovitz
Norman L. Cahners	Joseph Rabinovitz
Donald A. Gannon	Arthur L. Sherin
Irving W. Rabb	Sidney L. Solomon
Norman S. Rabb	Lloyd D. Tarlin

TRANSFER AGENTS

The First National Bank of Boston
Bankers Trust Company of New York

REGISTRARS OF STOCK

The National Shawmut Bank of Boston
Morgan Guaranty Trust Company of New York

AUDITORS

Peat, Marwick, Mitchell & Co.

GENERAL COUNSEL

Sherin & Lodgen, Boston.

Shares Traded on
Boston Stock Exchange and
American Stock Exchange

GENERAL OFFICES

393 D Street, Boston 10, Massachusetts



ANNUAL REPORT for the year ended July 1, 1961

COMPARATIVE HIGHLIGHTS

	1961 52 WEEKS	1960 53 WEEKS
SALES	\$295,373,211	\$266,207,295
EARNINGS		
Before taxes on income	\$ 8,293,951	\$ 8,013,550
After taxes on income	\$ 4,645,088	\$ 4,281,088
Cash dividends paid	\$ 977,997	\$ 764,547
Cash dividends per share	\$.40	\$.40
**Stock Distribution	25%	25%
Reinvested in the business	\$ 3,667,091	\$ 3,516,541
% of net earnings to sales	1.57%	1.61%
Per share of stock now outstanding	\$ 1.73	\$ 1.59
Current Assets	\$ 27,271,444	\$ 22,662,774
Current Liabilities	\$ 14,331,605	\$ 13,070,910
Working Capital	\$ 12,939,839	\$ 9,591,864
Current Ratio	1.90	1.73
Shareholders' Equity	\$ 27,265,458	\$ 23,233,220
†Food Stores Opened and Acquired	21	14*
†Food Stores Closed	7	4*
†Food Stores in operation year end	131	117*
Employees	9,735	8,041*

Note: All figures reflect the combined operation of Stop & Shop, Tedeschi and Bradlees- Youth Centre stores for both fiscal years except those marked with * which are as reported last year.

**The distribution for both years represents a stock split of 5 shares for 4.

†In addition 7 Youth Centre children's specialty shops and 6 Bradlees self-service, discount type junior department stores were acquired



SIDNEY R. RABB
Chairman of the Board



JOSEPH RABINOVITZ
President

To the shareholders, employees and friends of Stop & Shop

In the fiscal year ending July 1, 1961 your company maintained its pattern of vigorous and continuous growth. This was in the face of the most intensive price competition of the post war period which reduced our normal profit margins.

The twelve month period marks another year in which we are able to report record highs in sales, earnings, physical expansion, and growth of our people. This is graphically illustrated in the charts on the following pages.

The 1961 fiscal year was one of growth and acquisitions. The advantages of these acquisitions will bear fruit in the years ahead.

Sales and Earnings

The figures for the 1960 and 1961 fiscal years have been restated to reflect the operations of the Tedeschi stores acquired April 10, 1961, and the operations of the Bradlees-Youth Centre Stores acquired on May 8, 1961. This is in accordance with the "Pooling of Interests" principle of accounting.

Sales for the 52 weeks of the 1961 fiscal year reached an all-time high of \$295,373,211 compared with \$266,207,295 in the 53 weeks of 1960, a gain of 11%. The consumer's price index at the end of this fiscal year showed a drop of 3.3 points from the same period of last year. Thus, it was necessary to handle a substantially greater amount of food tonnage in order to achieve our sales figures.

Net income after taxes was \$4,645,088 compared with \$4,281,088 in 1960, a gain of 8.5%. This was equal to \$1.73 per share, compared to \$1.59 last year, computed for both years on the basis of 2,691,293 shares outstanding on July 1, 1961.

The intensive competition faced by your company during the last half of our fiscal year adversely affected earnings. Consistent with our traditional policy, we reacted promptly with an aggressive program of reduced prices to retain our customer patronage. Of course, there is a reduction in normal margins during such a period.

This intensive competition has added impetus to our efforts to achieve an even greater degree of efficiency in operating and merchandising techniques. In addition, the full benefits of our Tedeschi and Bradlees-Youth Centre acquisitions have yet to be realized.

The 1961 Fortune Magazine Directory once again listed Stop & Shop as one of the fifty largest merchandising firms in the country. On the basis of our annual sales as reported in 1960 (excluding the Tedeschi and Bradlees-Youth Centre acquisitions) we ranked 3rd in net profit as a percent of invested capital. Our current sales volume places us among the top fifteen food retailers in the country.

Distribution to Shareholders

On August 25, 1961, your directors declared a 3% stock dividend payable on November 1, 1961, to shareholders of record October 9, 1961.

During the fiscal year, four quarterly dividends of ten cents each were paid. The quarterly dividend rate was maintained following the stock distribution of one additional share for each four held on November 1, 1960. This had the effect of increasing a shareholder's income from dividends, in fiscal 1961, by 25% over the previous year.

It has been the company's policy to pay a conservative quarterly cash dividend, supplemented in each of the past ten years by stock dividends or other stock distributions, in order to retain a substantial portion of its annual earnings as a source of funds to finance expansion. It is expected that this dividend policy will be maintained.

A public distribution of 625,000 shares of com-

mon stock was made last November by certain shareholders. This offering has resulted in a broader base of ownership, a wider geographical distribution of shareholders throughout the country, and much more active trading than in previous years.

It is interesting to note that a share of stock purchased on July 1, 1950 for \$16.50, with stock distributions, grew to 9.44 shares on June 30, 1961 worth \$431.88 at the June 30 market price of \$45.75 per share.

Physical Growth

In fiscal 1961 we opened 14 food stores and acquired 20 stores of which seven are supermarkets, six are self-service discount-type junior department stores, and seven are children's specialty shops. This is the greatest number of stores added in any year. Eight of the new food stores are in Massachusetts, five in Connecticut, and one in Rhode Island. As in 1960, our heaviest concentration of new stores was in Connecticut-western Massachusetts area.

In August 1960, we purchased the Park 'N Shop in Greenfield, Mass., a large modern market similar to the type of store which we are presently opening.

The six Tedeschi Supermarkets were acquired in April. These stores, located in southeastern Mass. serve a trading area in which we were not well represented. Due to a high degree of customer acceptance, these markets have average sales per store among the very highest in the industry. These stores retain the Tedeschi name with integration proceeding in a series of planned moves to blend the best features of Stop & Shop into an already successful operation.

Although the primary interest of Stop & Shop is food retailing, we have observed closely the pattern of growth of discount junior department stores. Their rapid rise to popularity and their acceptance indicate that they have become an important factor in retail distribution. In their dynamic growth, they are similar to the development of supermarkets of a generation ago.

For this reason we acquired the thirteen Bradlees-Youth Centre Stores located in western Massachusetts and Connecticut. The six Bradlees

stores are large discount-type junior department stores — spacious, modern, and attractive. Five of these stores are located in the same shopping centers as our own markets. The seven Youth Centre stores are conventional-type service stores which carry a complete assortment of clothing requirements for infants and children. Youth Centre also operates these same departments in the Bradlees stores. All other departments in the Bradlees stores are operated by other companies on a lease basis. This acquisition allowed us to enter this field with a company closely allied to us in operations and geography, and with a nucleus of experienced people. It also offered an opportunity to strengthen our own business and expand in this fast-growing low-cost method of distribution. A new Bradlees store will open this fall in Danbury, Connecticut, and others are scheduled for shopping centers which include Stop & Shop stores.

At the end of the fiscal year, we operated 131 food stores of which 105 have been opened or acquired in the last ten years. Over 70% of our present volume is being done in the 80 stores opened or acquired in the last five years. The average sales per store this year rose to \$2,213,000, placing us among the leaders in our industry in this respect. During the past ten years we have become an entirely new company with a new customer image.

We are continuing our present rate of growth. Our plans for new store expansion for the current fiscal year are well underway. In the first five months of the new fiscal year we expect to open nine stores.

Additional Service Facilities

Continued growth has made it necessary to expand our service facilities to meet the ever-increasing requirements of our growing business.

In the last two fiscal years we completed our Grocery Distribution Center at Readville, our Dairy Plant at the same site including laboratory facilities for quality control, and an addition to the office space at our Boston headquarters.

Construction is underway on a new Perishable Distribution Center and an office building for our Hartford Unit, on the 47 acre tract of land recently acquired in North Haven, Connecticut.

These facilities, designed to permit expansion, will serve our growing group of stores in Connecticut and western Massachusetts.

Real Estate Operations

Our real estate subsidiaries continue to play an important role in our expansion and growth program. They have constructed nine of our fourteen new stores, and enlarged nine others.

Among their current projects are the new Perishable Distribution Center and office building in North Haven, Connecticut, and shopping centers at Falmouth, Lowell, Worcester, and Northampton in Massachusetts, all of which are in various stages of completion.

In addition, the real estate subsidiaries continue to build for other tenants adjacent to our own markets whenever practicable. This helps to increase our own customer traffic and, at the same time, reduces our occupancy costs. We now do approximately 51% of our business in stores owned by our subsidiaries.

Our plan of real estate financing enables the company to continue to acquire and develop new store locations through our real estate subsidiaries. The lease of the parent company supports the financing of the project by the subsidiary and the consolidated balance sheet liability of real estate debt is essentially the capitalization of our lease liabilities on the property we own. As each loan is paid in full, the cash flow of the consolidated companies will be increased and our occupancy cost on the paid-up properties will be accordingly reduced.

People Are Our Most Important Asset

This was the most active year we have ever experienced in the training, education, and realignment of people. As in past years, the development of people continued to occupy top priority. We recognize that in order to move forward, we must stress the preparation of people to accept leadership responsibility in all areas of our business. We continue to develop leadership in depth.

Our personnel development program is constantly undergoing refinements and improvements. This is to make certain that we are doing all that is possible to give our people the opportunity to develop themselves and their capabilities on their present jobs and to prepare them for the responsibilities of advancement.

Our policy is to promote from within our ranks, wherever possible, those people whose performance warrants their advancement. In the past fiscal year there were 725 promotions, the largest number in any one year in our history.

The total number of employees at the close of the 1961 fiscal year reached 9,735, a gain of 1,694. This is almost five times as many as were with the company ten years ago.

A large number of new people have come to us through acquisitions. They are an additional reservoir of human resources, bringing to our company their own experience and enthusiasm which, combined with the qualities of Stop & Shop people, add to the company's growth prospects and bring increased opportunities for all.

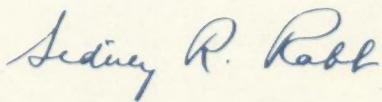
Future Progress

The sound and substantial results of recent years give us a solid foundation for our long-range plans for growth.

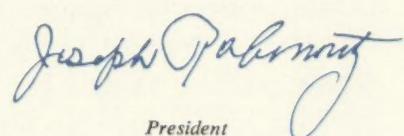
We will not stand still. The company will continue to expand as in the past, while at the same time seeking to continually improve its operations by aggressive merchandising methods, improved expense controls, new and better methods of distribution, and an awareness of new trends and developments.

All forecasts for the year ahead indicate an expansion in general business activity to new high levels, which should have a beneficial effect on the food purchasing potential of the customers we serve.

We gratefully acknowledge the contributions of our splendid group of people. We are proud of the way they have accepted the challenges and opportunities of this past year.



Chairman of the Board



President

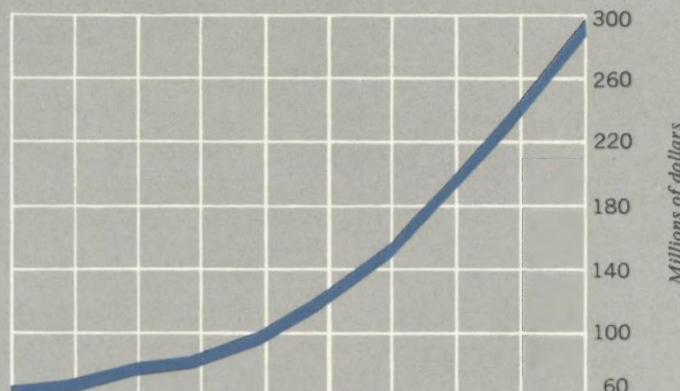
■ Ten years of continuous growth

The growth pattern of the company for the past decade is illustrated in these charts. They reflect the greatest ten year period of growth in the history of your company.

Sales

Ten years' sales results show continuous yearly gains with an increase of more than four times over 1952 fiscal year.

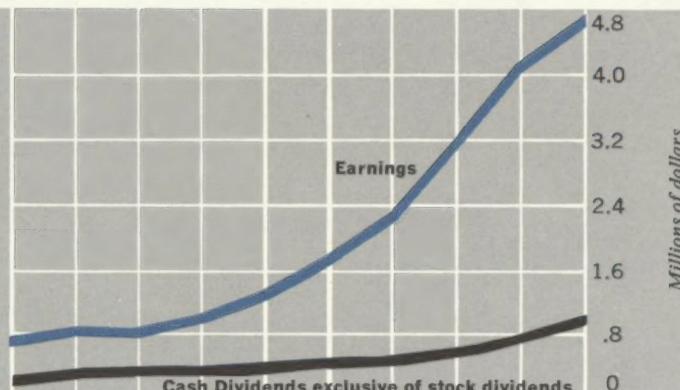
Years	Total
1952	\$ 62,576,777
1953	66,791,894
1954*	79,651,017
1955	82,430,337
1956	98,189,345
1957	123,106,279
1958	152,390,084
1959	194,003,143
1960*	266,207,295
1961	295,373,211



Earnings and Cash Dividends

Earnings have increased more than six times in the past ten years.

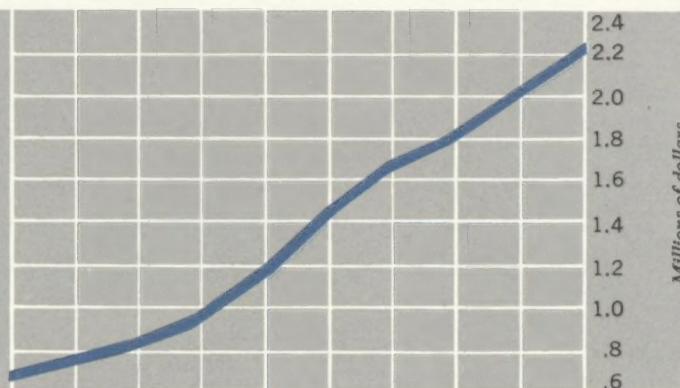
Years	Earnings	Cash Dividends
1952	\$ 749,696	\$277,600
1953	826,937	309,671
1954 *	802,034	333,333
1955	1,003,517	350,000
1956	1,349,411	398,683
1957	1,721,856	448,718
1958	2,269,719	465,962
1959	3,096,819	592,018
1960*	4,281,088	764,547
1961	4,645,088	977,997



Average Sales per Food Store

Our average annual sales per food store have increased more than threefold over the 1952 fiscal year.

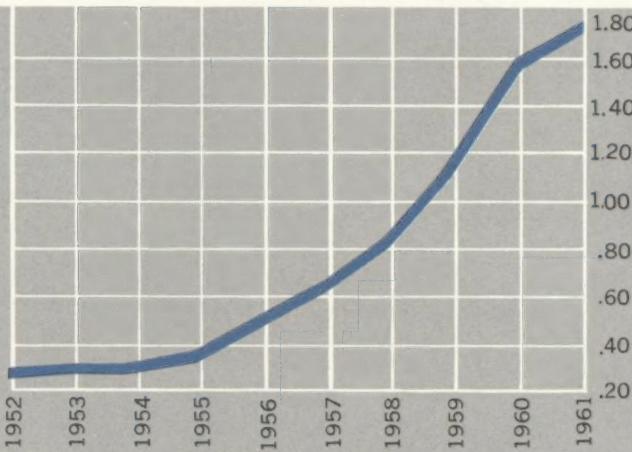
Years	Total
1952	\$ 727,600
1953	767,700
1954 *	865,800
1955	969,800
1956	1,183,000
1957	1,465,600
1958	1,674,600
1959	1,813,100
1960*	2,129,900
1961	2,213,000



Earnings per Share **

The past decade has seen the earnings per share increase more than sixfold based on shares outstanding at this time.

Years	Total
1952	\$.28
1953	.31
1954 *	.30
1955	.37
1956	.50
1957	.64
1958	.84
1959	1.15
1960*	1.59
1961	1.73



*53 weeks

**Based upon 2,691,293 shares outstanding 7/1/61

The figures for the 1960 and 1961 fiscal years only reflect the operation of the Tedeschi and Bradlees-Youth Centre stores, acquired in the 1961 fiscal year, under "pooling of interests" principle of accounting.

■ Building for future growth through new additions



The stores of our Tedeschi division are designed to give the customer a feeling of luxurious size and airiness brought about by expansive use of color, glass, light and flowers. The many added conveniences offered by these stores are symbolic of the services for which they are noted in their area.

"A blending of the best" was the phrase used to describe the combination of Stop & Shop and the Tedeschi Supermarkets. The Tedeschi chain, with extremely high average sales per store and excellent customer acceptance, was one of the leading smaller food retailers in the country. Located in southeastern Massachusetts they help to widen our coverage in an area where we were previously not well-represented. Large, modern markets, with huge parking areas, the six Tedeschi stores are landmarks in their home communities.



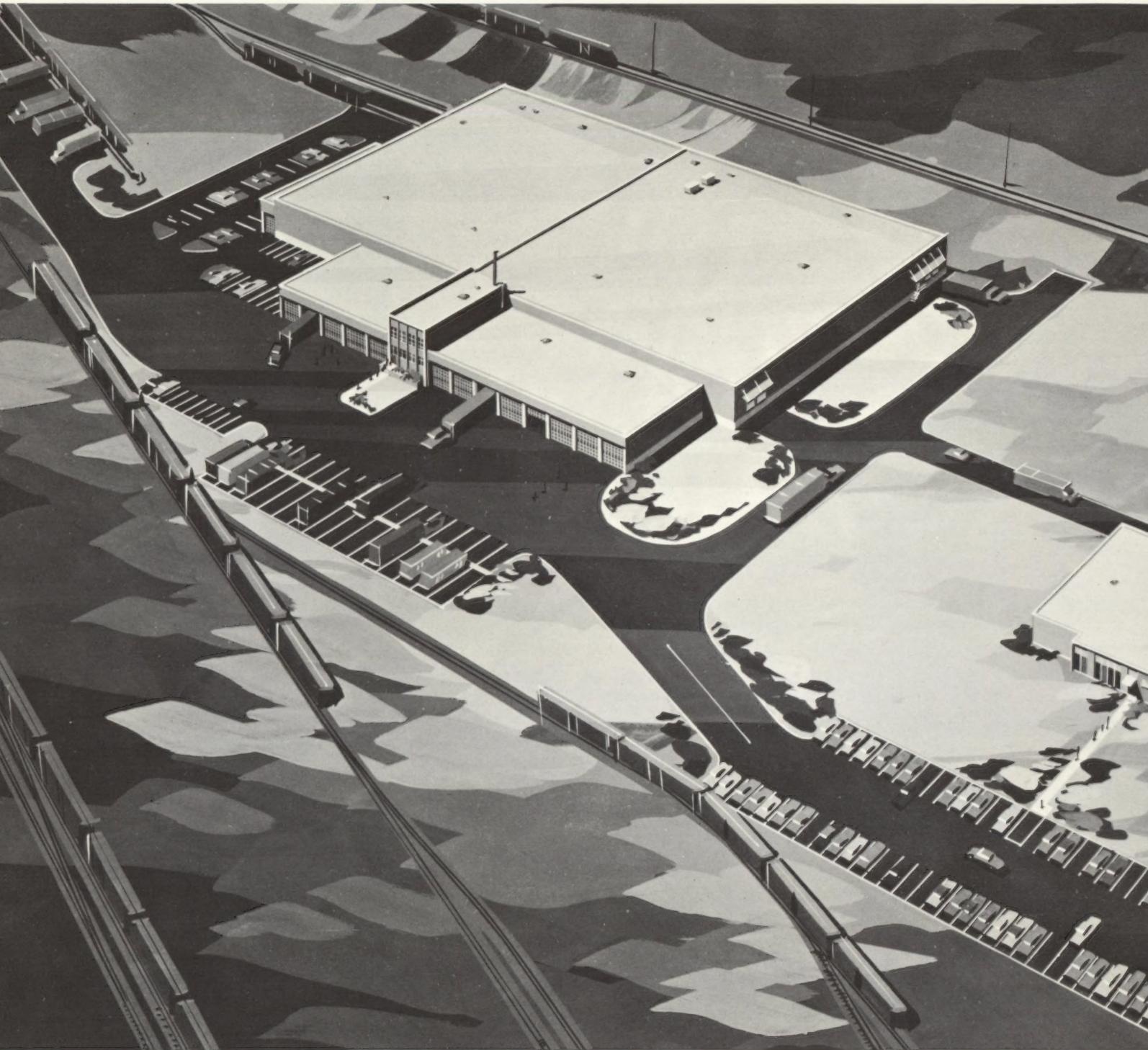


The stores of our Bradlees division are spacious, modern and attractive. Stores of this caliber have contributed to the rapid rise to popularity of the discount-type junior department stores. The children's wear department in our Bradlees stores are operated by Youth Centre. All other departments in the stores are operated by other companies on a lease basis.

A "Retailing Revolution" is the term experts have applied to the rapid rise of the discount junior department store. This type of store, relatively unknown just a few years ago, has become an important factor in retail distribution. The acquisition of the Bradlees and Youth Centre stores, located in the western Massachusetts-Connecticut area gives us an opportunity to strengthen our own business since five Bradlees stores are neighbors of Stop & Shop in shopping centers. Expansion in this low cost method of distribution is already in progress, with other Bradlees stores scheduled for shopping centers in which there will also be a Stop & Shop supermarket.



■ Growth requires more service facilities



The new Perishable Distribution Center at North Haven, Connecticut will handle the needs of our rapidly-growing group of stores in the western Massachusetts-Connecticut area. The office building, at lower right, will be occupied by the staff of our Hartford Unit.



Another measure of growth is the rapid expansion of our service facilities. To keep pace with accelerated store expansion, we are adding to our various service facilities.

The increased number of stores that we now operate in western Massachusetts and Connecticut, and the continued expansion that we plan for that area necessitated the construction of a new Perishable Distribution Center for distribution of meats, fish, produce and dairy to stores in our Hartford Unit. The Distribution Center, along with general offices for the Hartford Unit, is being built at North Haven, Connecticut, and is expected to be in operation by the summer of 1962.

When the new Distribution Center is completed, it will give us better quality control and better service for the stores in this area.

Utilizing the most modern processing methods and materials handling equipment, the Distribution Center will be able to handle the present demands of our stores in that area, with additional capacity for expansion in future years.



AND ITS SUBSIDIARIES

Consolidated Ba

ASSETS

	1961	1960
Current assets:		
Cash	\$ 4,536,981	\$ 3,493,627
Receivable from mortgagees for construction costs covered by executed mortgage agreements	885,890	202,778
Accounts receivable, less allowance for doubtful accounts	2,799,974	1,015,560
Inventories, at the lower of cost or market	18,605,719	14,346,999
Prepaid expenses	442,880	502,067
Total current assets	27,271,444	19,561,031
 Fixed assets, at cost (excluding fully depreciated assets):		
Land, buildings and improvements	42,932,372	36,389,034
Buildings and improvements on leased land	4,033,258	3,079,076
Fixtures, machinery and equipment	17,929,707	13,580,927
 Less accumulated depreciation and amortization	 64,895,337	 53,049,037
	11,413,226	8,835,746
	53,482,111	44,213,291
 Leasehold improvements, at cost, less accumulated amor- tization	2,371,724	1,882,862
 Net fixed assets	55,853,835	46,096,153
 Other assets:		
Investments, at cost	694,900	518,331
Deferred charges	222,129	138,000
Total other assets	917,029	656,331
	\$84,042,308	\$66,313,515

See accompanying notes to consolidated financial statements.

Balance Sheet

(July 1, 1961 with comparative figures as of July 2, 1960) (Note 1)

LIABILITIES

	1961	1960
Current liabilities:		
Accounts payable	\$ 9,342,145	\$ 5,692,264
Accrued expenses	2,950,616	2,782,837
Federal taxes on income, estimated, less U.S. Government Securities \$1,500,000, 1961, \$1,250,000, 1960	1,413,702	1,568,023
Current portion of long-term debt (note 2)	625,142	358,493
Total current liabilities	<u>14,331,605</u>	<u>10,401,617</u>
Deferred Federal taxes on income	875,862	505,000
Long-term debt (note 2):		
Mortgage notes payable	37,755,313	28,146,076
Other notes payable	3,814,070	5,399,956
Total long-term debt	<u>41,569,383</u>	<u>33,546,032</u>
Stockholders' equity:		
Capital stock of \$1 par value per share. Authorized 4,000,000 shares. Issued and outstanding 2,691,293 shares 1961, 2,018,953 shares 1960 (notes 1 and 3)	2,691,293	2,018,953
Capital in excess of par value of capital stock	5,160,949	5,323,826
Retained earnings, exclusive of amounts capitalized through stock dividends (notes 1 and 2)	19,413,216	14,518,087
Total stockholders' equity	<u>27,265,458</u>	<u>21,860,866</u>
	<u><u>\$84,042,308</u></u>	<u><u>\$66,313,515</u></u>



Consolidated Statement of Earnings and Retained Earnings

Year ended July 1, 1961 with comparative figures for the year ended July 2, 1960 (Note 1)

AND ITS SUBSIDIARIES

	1961 (52 weeks)	1960 (53 weeks)
Retail sales	\$295,373,211	\$239,078,801
Cost and expenses:		
Cost of sales, interest on mortgages, operating and administrative expenses	283,422,447	228,593,967
Depreciation and amortization	3,349,143	2,558,648
	286,771,590	231,152,615
Less interest on borrowings other than mortgages	8,601,621	7,926,186
Earnings before Federal taxes on income	307,670	240,375
Federal taxes on income, estimated	8,293,951	7,685,811
Net earnings	3,648,863	3,549,768
Retained earnings at beginning of year	4,645,088	4,136,043
Amount arising from pooling of interests (note 1)	14,518,087	11,146,591
	19,163,175	15,282,634
Less cash dividends paid	1,228,038	—
Retained earnings at end of year	20,391,213	15,282,634
	977,997	764,547
	\$ 19,413,216	\$ 14,518,087

See accompanying notes to consolidated financial statements.

Consolidated Statement of Capital in excess of Par Value of Capital Stock

Year ended July 1, 1961 with comparative figures for the year ended July 2, 1960

	1961 (52 weeks)	1960 (53 weeks)
Balance at beginning of year	\$ 5,323,826	\$ 5,525,296
Add:		
Credit resulting from exchange of shares of Stop & Shop, Inc. for all of the capital stock of acquired companies (note 1)	194,936	1,500
Excess over par value of proceeds from sales of capital stock to employees under the stock option plans	146,929	198,198
	5,665,691	5,724,994
Less amount transferred to capital stock account representing par value of shares issued as stock splits on the basis of one additional share for each four shares previously held	504,742	401,168
Balance at end of year	\$ 5,160,949	\$ 5,323,826

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) During the year ended July 1, 1961 all of the capital stock of the companies forming the Youth Centre and Bradlees stores and Tedeschi supermarkets was received in exchange for 150,800 shares of capital stock of Stop & Shop, Inc. These transactions have been recorded in the accompanying financial statements on the basis of the pooling-of-interests principle of accounting, and accordingly, the statement of earnings and retained earnings includes the results of their operations for the full year ended July 1, 1961.

The comparative figures for 1960 do not include the amounts applicable to these acquisitions. Based on their unaudited interim financial statements, net worth and working capital respectively of these combined acquisitions amounted to \$1,372,354 and \$432,450 at July 2, 1960 and their sales and net earnings respectively for the year ended July 2, 1960 amounted to \$27,128,494 and \$145,045.

(2) Long-term debt consists of the following obligations:

	Due Within One Year	Due After One Year
Mortgage notes, 3½% to 6¼%, maturing over a maximum period of twenty years. Although not signed by the company or its subsidiaries, these notes are secured by land, buildings, and improvements costing approximately \$43,900,000 and by assignments of intercompany lease agreements	\$625,142	\$37,755,313
Equipment notes, 4¼% to 5¼%, maturing over a maximum period of three years, secured by assignment of intercompany lease agreements covering equipment costing approximately \$2,600,000	—	314,070
Promissory notes, 3⅓%, payable \$250,000 annually and the balance of \$1,500,000 in 1971	—	3,500,000
	<u>\$625,142</u>	<u>\$41,569,383</u>
Current installments under the foregoing indebtedness have been prepaid as follows:		
Mortgage notes	\$1,370,236	
Equipment notes	293,086	
Promissory notes, 3⅓%	250,000	
	<u>\$1,913,322</u>	

After June 30, 1962, the mortgage notes mature at an annual rate of approximately \$2,400,000 through 1972 and thereafter at smaller varying amounts through 1982.

The terms of the agreement relating to the unsecured promissory notes, 3⅓%, contain restrictions on the payment of cash dividends and the purchase or retirement of the company's capital stock. Consolidated retained earnings not so restricted at July 1, 1961 amounted to approximately \$8,200,000.

(3) At July 1, 1961, there remained outstanding options granted to 24 officers and employees of the company to purchase 54,385 shares of the company's capital stock at prices ranging from \$8.75 to \$45.37 per share. These options are exercisable over various periods extending to May 18, 1968. In addition 39,374 shares of the company's capital stock were reserved for future option grants. All options have been granted to majority shareholders at 110% of market value on dates of granting and at 95% in the cases of all other participants.

During the current year, options were granted to purchase 2500 shares and options were exercised for 16,798 shares at granting prices ranging from \$8.75 to \$22.35 per share for a total consideration of \$163,727 as compared with the total value of \$770,656 based on quoted market prices on dates of exercise of the options. The number of shares under option at July 1, 1961 and related prices per share have been adjusted for stock dividends and stock splits.

(4) At July 1, 1961 the total minimum annual fixed rentals, exclusive of inter-company rentals, payable under leases expiring after three years, was approximately \$2,780,000, plus real estate taxes, insurance, etc., under certain leases. Leases covering about 38% of this amount expire within the next fifteen years and the balance by 1982.

Commitments, for completion of construction and renovation of buildings under existing contracts and mortgage note agreements, not reflected in the financial statements at July 1, 1961 amounted to approximately \$5,375,000.

PEAT MARWICK MITCHELL & CO.
ACCOUNTANTS AND AUDITORS
JOHN HANCOCK BUILDING
BOSTON 10, MASS.

The Stockholders
STOP & SHOP, INC.

We have examined the consolidated balance sheet of Stop & Shop, Inc. and its subsidiaries as of July 1, 1961 and the related statements of earnings and retained earnings and capital in excess of par-value of capital stock for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and capital in excess of par-value of capital stock present fairly the financial position of Stop & Shop, Inc. and its subsidiaries at July 1, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

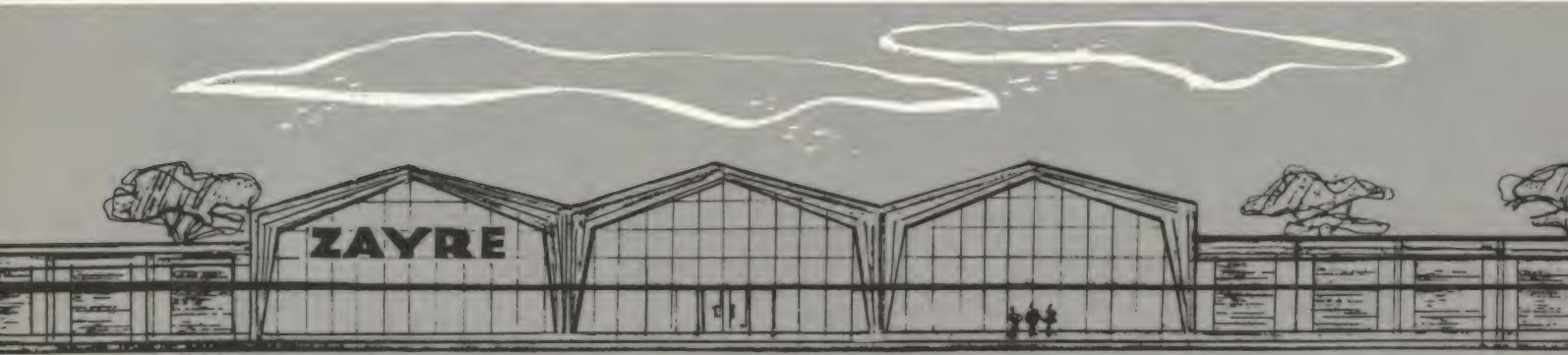
Boston, Mass.
August 25, 1961



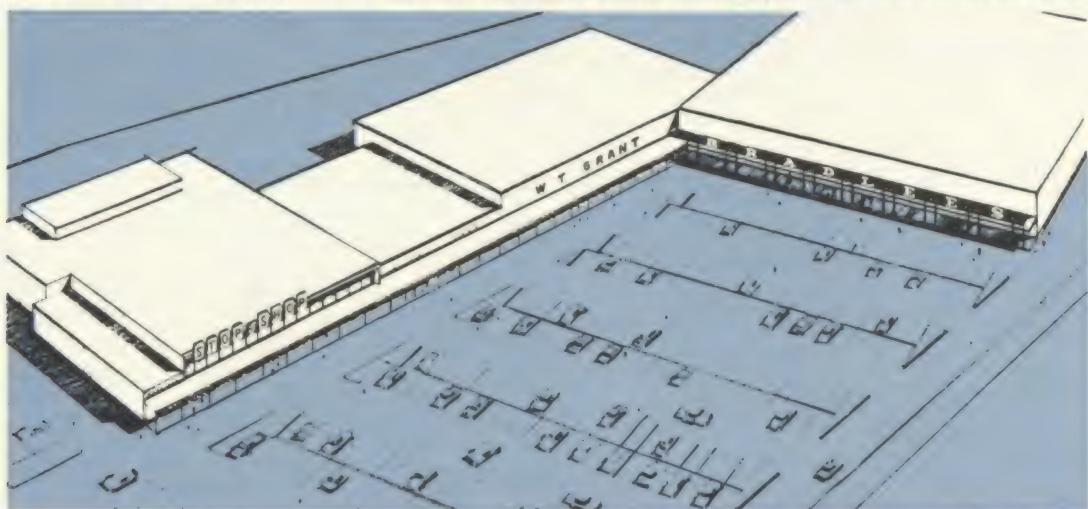
The recently completed Falmouth Shopping Center is a landmark in the Cape Cod area. The largest shopping center on the Cape, it attracts customers from outside the normal Falmouth trading area.

■ We are in shopping centers

Under construction at Lowell, Massachusetts is a shopping center which is unique because of its location. It has the advantages of a suburban shopping center but is located in the heart of the city.



Kingsgate at Northampton adds another link to our growing number of stores in western Massachusetts. This shopping center, when completed, will feature both a Stop & Shop Supermarket and a Bradlees store.



In the location of new stores, we have recognized, in many areas, the advantages of becoming part of a shopping center.

The majority of these stores are in centers which have been built by outside developers. However, there are shopping centers in which, through our real estate subsidiaries, we act as developers and builders.

The recently completed Falmouth (Mass.) Shopping Plaza contains several large stores in addition to our own. Not only does it change the shopping habits of the immediate area by becoming the actual shopping "heart" of the town, but as the largest shopping center on Cape Cod, it is an attraction to customers coming from wide distances.

In Lowell, Massachusetts, we are constructing a shopping center which is part of an urban re-development project. Our store will open earlier, but the entire project is expected to be completed by late fall of 1962. It will be unusual in that it will retain all the facilities of a suburban shopping plaza with the added convenience of a downtown, in-the-city location.



■ New stores - building for today and for tomorrow

North Providence, Rhode Island



Manchester, Connecticut



Milford, Connecticut



Braintree, Massachusetts



In fiscal 1961, for the second consecutive year we opened 14 new stores. These stores continued the planned pattern of growth, bringing the Stop & Shop name to new areas and strengthening our position in communities where we are already well-known.

While each of our new stores has a distinct personality of its own achieved through interesting architectural treatment and design, any one of them is instantly recognizable as a Stop & Shop supermarket. All have the clean lines, roomy aisles, and colorful presentations of fine quality products that help make each of our stores a pleasant and convenient place in which to shop.

14 new stores opened in 1961 fiscal year

Methuen, Mass. • Worcester, Mass. • Marlboro, Mass. • Braintree, Mass. • Holbrook, Mass. Haverhill, Mass. • Springfield, Mass. • Northampton, Mass. • Fairfield, Conn. • Milford, Conn. Bristol, Conn. • Greenwich, Conn. • Manchester, Conn. • North Providence, R. I.

Future food stores

West Hartford, Conn. (2) • Lynn, Mass. (2) • Hartford, Conn. • Lowell, Mass. • Westport, Conn. Cohasset, Mass.* • North Andover, Mass. • West Roxbury, Mass. • Framingham, Mass.** • Greenburgh, New York • New Haven, Conn. • Bridgeport, Conn. • Torrington, Conn. • Groton, Mass. Concord, N. H. • Raynham, Mass.*

*Tedeschi Division **Relocation, opened since end of fiscal year

■ How our Sales Dollar was distributed



81.4c

For cost of goods — merchandise, transportation, miscellaneous expenses and handling costs other than wages.

11.8c

For wages and other employee benefits, including social security, retirement income and group life, health and accident insurance.

1.5c

For taxes — Federal and State.

2.3c

For store rentals, real estate taxes, light, heat and other utilities.

1.4c

Set aside for wear and tear on equipment and buildings and spent for their maintenance and repair.

.3c

To shareholders as cash dividends, exclusive of stock distribution.

1.3c

To provide for Company growth by establishing new stores and facilities, modernizing others and for increased working capital.

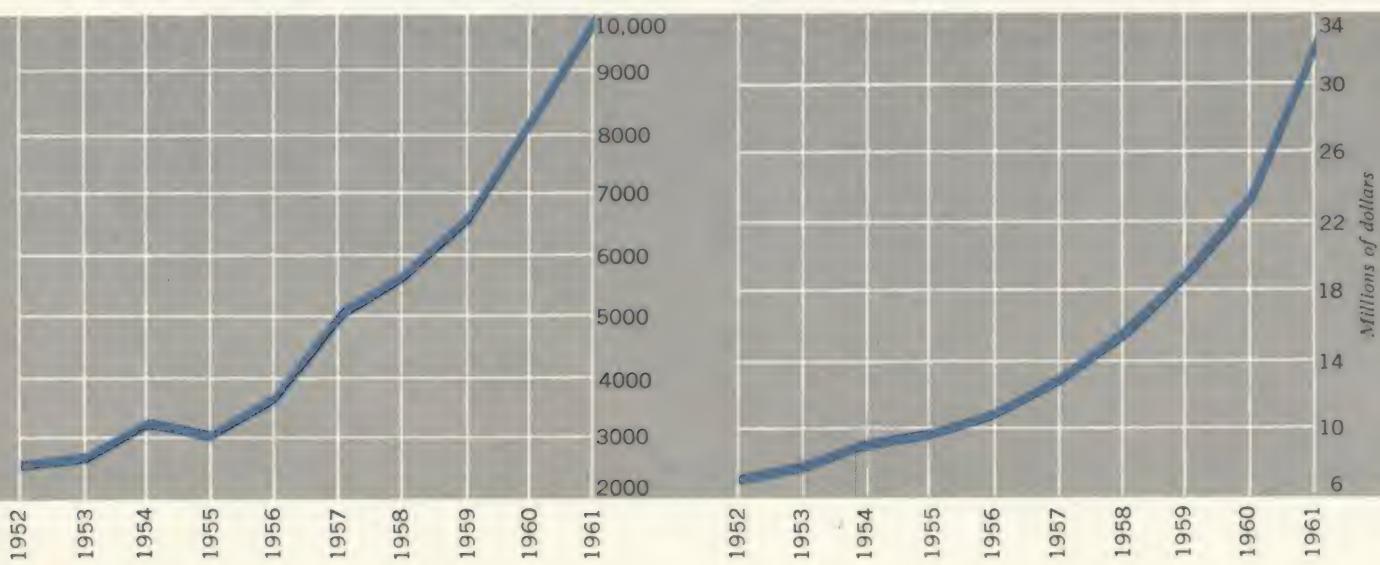
Note: the last two items together represent the net profit on each dollar of merchandise sold by Stop & Shop in the 1961 fiscal year

Employees

The past fiscal year saw the greatest increase in new employees in the history of our company.

Wages

Wages and salaries in the past fiscal year reached a new high, reflecting both growth in numbers of personnel and increases in hourly rates over the past ten years.



■ Helping people to develop themselves



Management Training Courses, held throughout the year, bring our store managers together for seminars and discussions in group dynamics and human relations. These groups are administered by faculty members from Boston University, Massachusetts Institute of Technology, and Harvard.

Leadership in depth is the objective of our personnel development program. We help our people to develop their capabilities not only on their present jobs but so that they will be qualified to assume supervisory and executive positions.

As with winning teams in sports, we are aware that a strong "bench" is essential — the second line of management gives added strength to the first line.

Thus, we are continually searching out and helping to develop promotable people within the company. Our people are encouraged to look beyond their present jobs to the opportunities that lie ahead. To help them achieve this goal, we are constantly refining and improving our personnel development programs.

On-the-job training helps to develop the technical abilities of our people. Supervisors at all levels realize that in order to develop themselves, they must train others to grow and develop.

Training is a continuing process in our warehouses with periodic refresher courses designed to increase the capacities of our people to handle their jobs.



■ People are



Irving W. Rabb
Vice President and
General Manager



Donald A. Gannon
Executive Vice President



Richard F. Spears
Vice President, Retailing



Robert H. Kroeger
Vice President,
Special Activities



Ralph D. Tedeschi
Vice President, Stop & Shop, Inc.
President, Tedeschi Division



Harold E. Fine
Divisional Vice President,
Engineering and Construction



Charles R. Carroll, Jr.
Divisional Vice President,
Hartford Unit



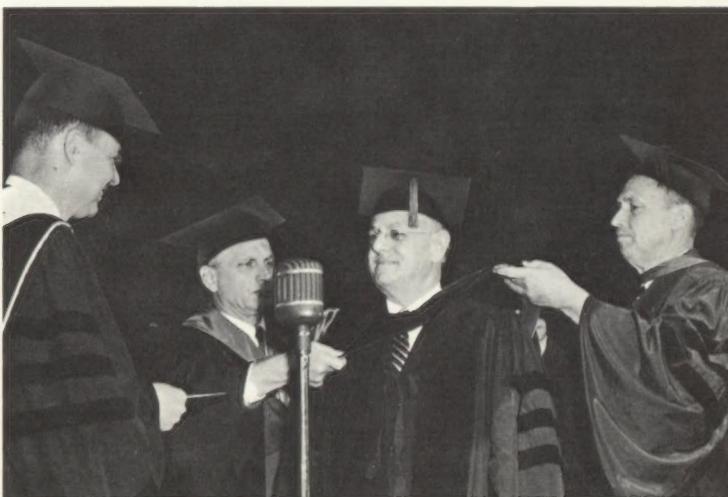
Jack Solomon
Divisional Vice President,
Sales



Isadore Benson
Executive Vice President
and General Manager of
Bradlees Division

Your company, at all times, emphasizes an important theme — there is no limit to the potential growth of any individual at Stop & Shop who has the vision, the ability, and initiative to accept unlimited challenges and responsibilities. These men who were appointed to new positions in management in the past fiscal year are illustrative of this point. Their experience lends added strength to our management team by contributing to the leadership in depth that is so important to a company such as ours.

Senior Vice President Norman S. Rabb congratulates Angelina Rosati, of our Cranston, R. I. store. An outstanding checker, Mrs. Rosati represented our company in the Supermarket Institute's Checker of the Year contest in which she was selected as the top checker in the State of Rhode Island and as a finalist in the New England regional competition.



our most important asset



Members of top management congratulated winners of scholarships offered by our company. This past fiscal year saw an increase in the number of scholarships offered. In order to assist those with the desire and capacity for further education this program is designed to aid individuals in their self development and ultimately to bring greater skill and depth into the company's operation and into the business environment in general. In addition we have scholarships for children of Stop & Shop employees and special scholarships awarded by the National Association of Food Chains for studying at colleges offering courses in food distribution.



The interest Stop & Shop people have expressed in over-all activities was illustrated this past June when honorary degrees were conferred upon three of our executives by New England colleges. Honorary Doctor of Laws degrees were awarded to Chairman of the Board Sidney R. Rabb (photo, facing page) by Tufts University, Executive Vice President Donald A. Gannon (photo, center) by the University of Vermont, and Vice President Ralph D. Tedeschi (photo, right) by Stonehill College. The sentiments expressed in the citation presented to Mr. Rabb were echoed in the citations of Mr. Gannon and Mr. Tedeschi. The citation stated in part: "Your success in the world of business is second only to your response to the needs of the society in which you have worked. Legion are the institutions which have profited by your interest and concern."



The Stop & Shop Code

*We resolve that in our day-to-day relations
with people we shall:*

- Deal with each employee fairly and with respect for his human dignity.
- Provide good wages and working conditions and social benefits consistent with current practice in our industry and company earnings.
- Make every effort to insure security of employment.
- Develop employees in accordance with their natural capacities and afford opportunities for advancement based on merit.
- Provide safe and pleasant work environments.
- Conduct fair and just relations with representatives chosen by employee groups.
- Deal cheerfully with customers in providing good values in a wide choice of desirable merchandise.
- Support the advancement of good citizenship and community progress in our areas.
- Work for company growth and profit to insure a fair return to our shareholders.
- Be fair in our dealings with sources of supply and others who serve our company.